

## Rural Press Limited

ACN 000 010 382

### Contents

Directors' Report	2
Profit and loss statements	6
Balance sheets	7
Statements of cash flows	8
Notes to the accounts	9
Statement by Directors'	31
Independent Auditors' Report to the members of Rural Press Limited	32
Shareholder information	33
Eight year history 1991-1998	35
Corporate governance	36

#### Notes to the Accounts

Statement of significant accounting policies	9	Dividends	19
Revenue	12	Notes on the statements of cash flows	20
Operating profit	12	Financing arrangements	22
Abnormal item	12	Remuneration of Auditors	22
Taxation	13	Remuneration of Directors	23
Current receivables	13	Remuneration of Executives	23
Current inventories	14	Lease commitments	24
Other current assets	14	Segment reporting	24
Non-current investments	14	Capital commitments	24
Property, plant and equipment	15	Contingent liabilities and guarantees	25
Mastheads	16	Superannuation commitments	25
Radio licences	16	Related party transactions	26
Other non-current assets	16	Ultimate chief entity	27
Accounts payable	17	Foreign currency	27
Borrowings	17	Earnings per share	28
Provisions	17	Deed of Cross Guarantee	28
Share capital	18	Additional Financial Instruments Disclosure	28
Reserves	18	Particulars relating to controlled entities	30
Outside equity interests	19		

All amounts are expressed in Australian dollars unless otherwise stated.

Auditors: KPMG

The 1998 Annual Report is presented in two parts:

- Report to Shareholders 1998
- Report to Shareholders 1998 - Financial Statements

## STATUTORY DIRECTORS' REPORT for the year ended June 30, 1998

Your Directors have pleasure in presenting their report, together with the financial statements of Rural Press Limited (the Company) and consolidated accounts of the economic entity (being the Company and its controlled entities) for the year ended June 30, 1998 and the auditors' report thereon.

### Information on Directors

The Directors of the Company in office at the date of this report are:

J. B. Fairfax, AM, Chairman  
B. Gowrie Smith  
T. V. Fairfax  
D. J. Asimus, AO  
B. J. Taplin  
I. G. Holmes  
B. K. McCarthy, Managing Director

Mr B.K. McCarthy is the only executive Director on the Board.

#### **John Brehmer Fairfax, AM (Chairman, Non Executive Director, Age 56)**

Qualifications and experience: Board member since 1988 and Chairman since 1990. Chairman of Marinya Media Pty. Limited since 1987. Deputy Chairman of John Fairfax Limited 1985-87 and Director 1979-87. Director of David Syme & Co. Ltd. 1981-87. Chairman of Media Council of Australia 1980-82. Chairman of Newspaper Advertising Bureau 1985-87. Chairman of Australian section of the Commonwealth Press Union 1987-92. Director of St. Luke's Hospital 1973-95. Trustee of National Parks and Wildlife Foundation of N.S.W. 1983-89. Councillor of Royal Agricultural Society of New South Wales since 1990. Chairman of Cambooya Investments Limited since 1991. Director of Australian Rural Leadership Foundation Limited since 1993. Councillor since 1979, and President since 1993 of Boys Brigade Inc., Councillor of AMP Foundation 1992-96. Director of G.E. Crane Group Limited since 1996. Director of Westpac Banking Corporation Limited since 1996. Special responsibilities: Chairman of Directors, Director of Subsidiary Companies.

#### **Bruce Gowrie Smith (Non Executive Director, Age 58)**

Qualifications and experience: Hon. D.Ap.Sc. (Charles Sturt). Farmer. Board member since 1985. Canberra Junior Farmer Award 1965. Served on general council of United Farmers and Woolgrowers Association of N.S.W. Chairman Oilseed Research Committee N.S.W. 1974-80. Deputy Chairman Australian Coarse Graingrowers Association 1970-76. Deputy Chairman N.S.W. Oilseed Marketing Board 1978-81. Director of Rural Industries Research and Development Corporation 1990-96. Director Australian Rural Leadership Foundation Limited since 1992. Experience in large scale irrigation development and management and the production of grains, oilseeds and vegetables. Director of Riverina Development Board, 1993-96. Formation Chairman and currently Executive Member of Riverina Food Network since 1993. Special responsibilities: Member of Audit Committee.

#### **Timothy Vincent Fairfax (Non Executive Director, Age 52)**

Qualifications and experience: F.A.I.C.D. Farmer and grazier. Board member since 1988. Director of Marinya Media Pty. Limited since 1987. Director of Primac Holdings Limited from 1991 to June 1998. Director of Stanbroke Pastoral Company Limited since 1993. Councillor New England Girls School since 1994. Councillor Sunshine Coast University since 1996. Trustee Queensland Art Gallery since 1996. Director of Brickworks Limited since 1997.

#### **David James Asimus, AO (Non Executive Director, Age 66)**

Qualifications and experience: B.Ec. (Syd), Hon.D.Sc. (NSW), Hon.D.Ag.Ec. (Syd). Farmer. Board member since 1989. Member of Australian Wool Corporation 1973-89 and Chairman 1979-89. Executive member of C.S.I.R.O. 1969-70. Chairman of International Wool Secretariat 1979-89. Member of Australian Trade Commission 1986-91. Director of Australian Eagle Insurance Limited 1988-92. Director of The Broken Hill Proprietary Company Limited since 1988. Director of I.B.J. Australian Bank Limited since 1988. Chancellor of Charles Sturt University since 1989. Director of Wesfarmers Limited since 1994. Chairman of Australian Rural Leadership Foundation Limited since 1994. Director of Delta Electricity Limited since 1996.

**Barry John Taplin (Non Executive Director, Age 66)**

Qualifications and experience: F.C.A. Board member since 1989. Managing Director of Marinya Media Pty. Limited from 1989 to July 1998. Partner in Touche Ross & Co. (Chartered Accountants ) and predecessor firms 1960-89. Formerly a member of Touche Ross & Co., International Strategic Planning Group, International Banking Group and Deputy Chairman of the Australian firm.

Special responsibilities: Chairman of Audit Committee. Trustee Director of the Company's superannuation plans.

**Ian George Holmes (Non Executive Director, Age 64)**

Qualifications and Experience: F.A.I.M. F.A.I.C.D. Cert. of Management R.M.I.T.

Board member since 1995; Chief Executive of G.T.V.9 1968-70; Chief Executive of Channel TEN 1973-77; Chairman Federation of Australian Commercial Television Stations 1976-77; President and Managing Director of Grundy Organization 1977-95; Executive Director of Grundy Worldwide Limited 1988-95; Director of SEA FM Limited 1986-95; Director of Sunshine Television Network Limited 1991-95; Chairman of Seven Television Network Limited June/July 1995; Director of Arena Management Pty Limited since 1983; Director of Seal Rocks Victoria Australia Pty Limited since 1996; Director of Nova Pacific Capital Limited since 1996.

Special Responsibilities: Member of Audit Committee.

**Brian Keith McCarthy (Managing Director, Age 46)**

Qualifications and experience: B.Comm. Managing Director of Rural Press Limited since 1994. Joined Regional Publishers Pty. Limited in 1976 as Group Accountant. General Manager of Upper Hunter Publishers Pty. Limited, 1983. General Manager of Maitland Mercury, 1984. Joined Rural Press Limited in 1987 as General Manager Special Projects. Director Pacific Area Newspaper Publishers Association since 1993.

Special responsibilities: Managing Director. Director of all Subsidiary Companies. Trustee Director of the Company's superannuation plans.

**Directors' meetings**

The number of meetings attended by the Company's Directors for the year ended June 30, 1998 were as follows:

	Board of Directors	Audit Committee
J. B. Fairfax, AM	10 (10)	
B. Gowrie Smith	10 (10)	1 (1)
T. V. Fairfax	10 (10)	
D. J. Asimus, AO	10 (10)	1 (1)
B. J. Taplin	10 (10)	2 (2)
I. G. Holmes	10 (10)	2 (2)
B. K. McCarthy	10 (10)	

Figures in brackets represent the maximum number of meetings the Director could attend. Matters relating to Common Seals and Employee Share Scheme are attended to in Directors' meetings. Matters of remuneration are also attended to in Directors' meetings and in accordance with the provisions of the Corporations Law when dealing with Directors' interests.

**Directors' Interests and Benefits**

The relevant interest of each Director in the share capital of the Company as notified by the Directors to the Australian Stock Exchange in accordance with Section 235(1)(a) of the Corporations Law at the date of this report is:

	Ordinary Shares	Preferred Shares
J. B. Fairfax, AM <sup>(1)</sup>	55,071,430	19,899,048
B. Gowrie Smith	9,012	4,506
T. V. Fairfax <sup>(1)</sup>	55,071,430	19,899,048
D. J. Asimus, AO	3,999	2,000
B. J. Taplin	45,000	22,500
I. G. Holmes	30,000	-
B. K. McCarthy	99,268	49,634

<sup>(1)</sup> The relevant interests disclosed for J.B.Fairfax and T.V.Fairfax refer to shareholdings that are common to both Directors.

Since the end of the previous financial year no Director of the Company has received or become entitled to receive any benefit (other than a fixed salary of a full-time employee or a benefit that would be included in the aggregate amount of remuneration

received or due and receivable by Directors or other benefits which may arise as a result of related party dealings as shown in the annual consolidated financial statements at Notes 31 and 24 respectively) because of a contract made by the Company, its controlled entities or a related body corporate with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

Mr. B. K. McCarthy has a loan with the Company which is in accordance with the Rural Press Limited Employee Share Scheme (1990) approved at a general meeting of shareholders on June 21, 1990.

## Principal Activities

The principal activities of the economic entity in the course of the financial year were newspaper and magazine publishing, printing, and radio broadcasting. There was no significant change in the nature of those activities during the financial year.

## Review of Operations

The review of the Company's operations is outlined on pages 8 to 18 of the report to shareholders.

## Consolidated Result

The consolidated profit for the year ended June 30, 1998 attributable to the members of the Company was:

	1998	1997
	\$'000	\$'000
Operating profit after income tax	66,719	33,941
Outside equity interests	(1,854)	(1,743)
Operating profit after income tax attributable to members of the Company	<u>64,865</u>	<u>32,198</u>

## State of Affairs

During the year the economic entity expanded its agricultural publishing interests in the United States through the purchase of all the common stock in Farm Progress Holdings Inc. for US\$ 56,950,000.

The economic entity also disposed of its radio broadcasting division through the sale of all the shares in Regional Broadcasters Australia Pty. Limited for A\$ 88,000,000.

In the opinion of the Directors, other than mentioned, there were no other significant changes in the state of affairs of the economic entity that occurred during the year under review not otherwise disclosed in this report, in the consolidated accounts, or the report to shareholders.

## Dividends

Dividends paid or declared by the Company since the end of the previous financial year.

- As proposed and provided for in respect of the year ended June 30, 1997:
  - A final dividend of 6.3 cents per share fully franked to 36% on 106,081,929 ordinary shares amounting to \$6,683,162;
  - and a final dividend of 6.93 cents per share fully franked to 36% on 53,041,290 preferred shares amounting to \$3,675,761, both paid on November 5, 1997.
- In respect of the year ended June 30, 1998:
 

	\$000's
• An interim dividend of 4.60 cents per share, fully franked to 36% on 106,081,929 ordinary shares;	4,880
and an interim dividend of 5.06 cents per share, fully franked to 36% on 53,041,290 preferred shares, both paid on March 13, 1998.	2,684
• As recommended by Directors, a final dividend of 7.40 cents per share, fully franked to 36% on 106,081,929 ordinary shares;	7,850
and a final dividend of 8.14 cents per share, fully franked to 36% on 53,041,290 preferred shares, both payable on November 4, 1998 on shares registered at 5.00pm on Friday, October 23, 1998.	<u>4,318</u>
	<u>19,732</u>

## **Subsequent Events**

A controlled entity has entered into an agreement to purchase 100% of the capital of The Federal Capital Press of Australia Pty. Limited, publishers of the Canberra Times newspaper. The agreement which specifies a purchase price of \$160,000,000 is expected to be completed mid to late September 1998.

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the economic entity's operations, the results of those operations or the economic entity's state of affairs in financial years after the financial year except as mentioned or stated elsewhere in this report, in the annual report and/or the accounts.

## **Future Developments and Results**

The economic entity intends to continue to develop its operations in the future within the principal activities as disclosed in this report. Further information as to likely developments in the operations of the economic entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the economic entity.

## **Indemnification of Directors and Officers**

The Company's Articles provide for an indemnity of Directors, Secretaries and Executive Officers (as defined in the Corporations Law), where liability is incurred in the performance of their duties in those roles unless the liability arises out of conduct involving a lack of good faith. The Articles further provide for an indemnity in respect of any costs and expenses incurred in defending proceedings in which judgement is given in their favour, they are acquitted or the Court grants them relief under the Corporations Law.

## **Insurance of Directors and Officers**

During the financial year the Company has paid premiums in respect of a contract insuring all persons who are or have been officers of the Company or the economic entity against liabilities. The insured officers include all of the current executive and non-executive Directors of the Company who are named in this report and management of the Company and other companies within the economic entity.

## **Rounding off of Amounts**

The amounts contained in this report have been rounded off to the nearest one thousand dollars under the option available to the Company under Section 311 and Regulation 3.6.05 of the Corporations Law and Regulations.

Signed in accordance with a resolution  
of the Directors

J. B. Fairfax AM  
Director

B. K. McCarthy  
Director  
North Richmond NSW  
August 27, 1998

**PROFIT AND LOSS STATEMENTS**  
For the year ended June 30, 1998

	NOTES	CONSOLIDATED		COMPANY	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
SALES REVENUE		341,338	299,353	-	-
Other revenue		94,850	5,336	116,560	49,088
<b>TOTAL REVENUE</b>	<b>2</b>	<b>436,188</b>	<b>304,689</b>	<b>116,560</b>	<b>49,088</b>
OPERATING PROFIT BEFORE INTEREST, ABNORMAL ITEM AND INCOME TAX		69,609	60,518	5,715	28,570
Net interest (expense)/income		(8,394)	(7,267)	2,222	(2,156)
OPERATING PROFIT BEFORE ABNORMAL ITEM AND INCOME TAX		61,215	53,251	7,937	26,414
Abnormal item before income tax	4	31,176	-	41,763	-
OPERATING PROFIT BEFORE INCOME TAX	3	92,391	53,251	49,700	26,414
Income tax attributable to operating profit	5	(25,672)	(19,310)	(5,367)	(1,566)
OPERATING PROFIT AFTER INCOME TAX		66,719	33,941	44,333	24,848
Outside equity interests in operating profit after income tax	19	(1,854)	(1,743)	-	-
OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		64,865	32,198	44,333	24,848
Retained profits at the beginning of the financial year		80,321	65,059	13,349	5,437
Aggregate amount transferred from reserves	18	535	-	-	-
Total available for appropriation		145,721	97,257	57,682	30,285
Dividends provided for or paid	20	(19,732)	(16,936)	(19,732)	(16,936)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		125,989	80,321	37,950	13,349
EARNINGS PER SHARE (Cents)					
Basic	34	40.8	20.2		
Diluted	34	40.8	20.2		

To be read in conjunction with the annexed notes which form part of these accounts.

## BALANCE SHEETS

For the year ended June 30, 1998

	NOTES	CONSOLIDATED		COMPANY	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>CURRENT ASSETS</b>					
Cash		9,972	11,368	2,757	316
Receivables	6	54,534	58,963	153,618	206,017
Inventories	7	15,815	9,128	3,926	2,673
Other	8	2,791	2,712	3	698
<b>TOTAL CURRENT ASSETS</b>		<b>83,112</b>	<b>82,171</b>	<b>160,304</b>	<b>209,704</b>
<b>NON-CURRENT ASSETS</b>					
Investments	9	7,798	9,762	71,635	63,841
Property, plant and equipment	10	73,733	80,175	41,133	38,969
Mastheads	11	302,605	212,902	-	-
Radio licences	12	1,915	41,105	-	-
Other	13	17,410	10,740	2,408	1,856
<b>TOTAL NON-CURRENT ASSETS</b>		<b>403,461</b>	<b>354,684</b>	<b>115,176</b>	<b>104,666</b>
<b>TOTAL ASSETS</b>		<b>486,573</b>	<b>436,855</b>	<b>275,480</b>	<b>314,370</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	14	42,866	31,064	48,994	28,753
Borrowings	15	2,688	10,931	-	-
Provisions	16	32,124	29,523	18,284	12,075
<b>TOTAL CURRENT LIABILITIES</b>		<b>77,678</b>	<b>71,518</b>	<b>67,278</b>	<b>40,828</b>
<b>NON-CURRENT LIABILITIES</b>					
Accounts payable	14	2,121	-	-	-
Borrowings	15	101,871	113,670	20,000	112,000
Provisions	16	4,448	4,416	917	716
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>108,440</b>	<b>118,086</b>	<b>20,917</b>	<b>112,716</b>
<b>TOTAL LIABILITIES</b>		<b>186,118</b>	<b>189,604</b>	<b>88,195</b>	<b>153,544</b>
<b>NET ASSETS</b>		<b>300,455</b>	<b>247,251</b>	<b>187,285</b>	<b>160,826</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	17	116,690	116,690	116,690	116,690
Reserves	18	45,360	38,710	32,645	30,787
Retained profits		125,989	80,321	37,950	13,349
Shareholders' equity attributable to members of the Company		288,039	235,721	187,285	160,826
Outside equity interests in controlled entities	19	12,416	11,530	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>300,455</b>	<b>247,251</b>	<b>187,285</b>	<b>160,826</b>

To be read in conjunction with the annexed notes which form part of these accounts.

**STATEMENTS OF CASH FLOWS**  
**For the year ended June 30, 1998**

	NOTES	CONSOLIDATED		COMPANY	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		336,425	303,042	18,106	20,509
Receipts from related entities		-	-	94,267	-
Payments to suppliers and employees		(262,555)	(228,970)	(43,089)	(11,892)
Dividends received		331	169	950	21,916
Interest received		1,089	832	8,071	6,190
Interest and other costs of finance paid		(9,483)	(8,099)	(5,849)	(8,346)
Income tax paid		(23,650)	(24,102)	(1,318)	(2,473)
Net cash flow from operating activities	21	42,157	42,872	71,138	25,904
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of businesses and controlled entities (net cash)	21	(79,599)	(2,922)	(500)	-
Proceeds from sale of business and controlled entities (net cash)	21	87,479	1,441	87,950	-
Purchase of investments		(20)	(1,558)	-	-
Increase in investment in subsidiary		-	-	(13,294)	-
Purchase of property, plant and equipment		(12,169)	(7,516)	(7,226)	(4,963)
Purchase of mastheads		(184)	(103)	-	-
Proceeds from sale of property, plant & equipment		1,108	1,004	1,483	473
Proceeds from sale of investments		1	2	-	-
Net cash flow from investing activities		(3,384)	(9,652)	68,413	(4,490)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings		78,839	31,700	11,000	31,000
Repayment of borrowings		(104,860)	(26,850)	(103,000)	(26,000)
Repayment of deferred vendor finance		(10,000)	(10,000)	-	-
Repayment of loans from controlled entities upon divestment		-	-	(40,187)	-
Payment of dividends		(17,923)	(16,443)	(17,923)	(16,443)
Payment of dividends to outside equity interests		(1,420)	(1,500)	-	-
Net cash flow from financing activities		(55,364)	(23,093)	(150,110)	(11,443)
NET (DECREASE)/INCREASE IN CASH HELD		(16,591)	10,127	(10,559)	9,971
Cash at beginning of the financial year		25,687	15,453	13,316	3,345
Exchange variance on opening cash balance		787	107	-	-
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>		<b>9,883</b>	<b>25,687</b>	<b>2,757</b>	<b>13,316</b>
Reconciliation of cash					
Cash		9,972	11,368	2,757	316
Short term deposits		2,415	14,319	-	13,000
Bank overdraft		(2,504)	-	-	-
		9,883	25,687	2,757	13,316

To be read in conjunction with the annexed notes which form part of these accounts.

## NOTES TO THE ACCOUNTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial statements are a general purpose financial report which have been prepared in accordance with Accounting Standards, Urgent Issue Group Consensus Views and the Corporations Law. They have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or current valuations of non-current assets. These accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

#### Principles of consolidation

The consolidated accounts comprise the accounts of the Company, being the Company, and its controlled entities. Where a controlled entity has been acquired (or sold) during the year, its results are included in consolidated profit from the date of acquisition (up to the date of sale). All inter-entity balances and transactions have been eliminated. Outside interests in the equity and results of those entities that are controlled by the Company's controlled entities are shown as a separate item in the consolidated financial statements. A list of controlled entities is shown in Note 37.

#### Cash

For the purpose of the cash flow statements, cash includes cash on hand and at bank, short term deposits at call and bank bills receivable, net of outstanding bank overdrafts.

#### Trade Debtors

Trade debtors are carried at the amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful debtors. Collection terms vary between 7 and 45 days.

#### Short Term Deposits

Short term deposits are stated at the lower of cost and net realisable value. Interest is recognised when earned.

#### Other Debtors

Included in other debtors are transactions outside the usual operating activities of the economic entity. Interest may be charged at market rates where the terms of repayment exceed six months. Collateral is not obtained.

#### Inventories

Inventories and work-in-progress are valued at the lower of cost (including variable and fixed costs where applicable) and net realisable value. Costs are assigned on a first-in first-out basis.

#### Investments

Investments in controlled entities are carried in the Company's accounts at the lower of cost and recoverable amount. Dividends are brought into account in the profit and loss statement when they are paid by the controlled entities.

Investments in unrelated corporations are recorded at the lower of cost or recoverable amount and dividends are brought to account as income when received.

The economic entity's interest in a partnership is carried at cost and the share of the partnership result for the year is included in the consolidated profit. Undistributed partnership profits are included in other debtors.

#### Land and buildings

Land and buildings are carried at cost or at independent valuation. This valuation is carried out every three years. Any surplus on revaluation is credited directly to the asset revaluation reserve and excluded from the profit and loss account. Land and buildings are not revalued to an amount above their recoverable amount. In the intervening years an annual review is undertaken to ensure carrying values do not exceed recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS	
Note	Page
1	Statement of significant accounting policies 9
2	Revenue 12
3	Operating profit 12
4	Abnormal item 12
5	Taxation 13
6	Current receivables 13
7	Current inventories 14
8	Other current assets 14
9	Non-current investments 14
10	Property, plant and equipment 15
11	Mastheads 16
12	Radio licences 16
13	Other non-current assets 16
14	Accounts payable 17
15	Borrowings 17
16	Provisions 17
17	Share capital 18
18	Reserves 18
19	Outside equity interests 19
20	Dividends 19
21	Notes on the statements of cash flows 20
22	Financing arrangements 22
23	Remuneration of Auditors 22
24	Remuneration of Directors 23
25	Remuneration of Executives 23
26	Lease commitments 24
27	Segment reporting 24
28	Capital commitments 24
29	Contingent liabilities and guarantees 25
30	Superannuation commitments 25
31	Related party transactions 26
32	Ultimate chief entity 27
33	Foreign currency 27
34	Earnings per share 28
35	Deed of Cross Guarantee 28
36	Additional Financial Instruments Disclosure 28
37	Particulars relating to controlled entities 30

## Depreciation

Operating assets such as buildings, plant and vehicles, excluding freehold land, are depreciated so as to write off their net costs against revenue over their estimated useful life. The straight line method is used.

The major depreciation periods are:

	1998	1997
Freehold buildings	50 years	50 years
Leasehold improvements	The lease term	The lease term
Plant and equipment	3 to 10 years	3 to 10 years

## Leased assets

Finance leases which effectively transfer to the economic entity substantially all of the risks and benefits incidental to ownership of the leased assets have been capitalised and are being amortised over their expected useful life.

Lease payments are allocated between interest expense and lease liability. The interest component is charged against profit when paid.

Operating lease payments where the lessors effectively retain substantially all the risks and benefits of ownership of these lease items, are charged to expense in the period in which they are incurred.

## Mastheads & Radio Licences

Mastheads, being the titles of newspapers and magazines produced by the economic entity, are accounted for as identifiable assets and are recorded at valuation, or in the case of recent acquisitions, at cost. Mastheads include the composite mixture of the publications title, content, market targetting capabilities and reputation. Valuations were determined by Directors using accepted industry practice having regard to revenue, circulation, profitability and commercial value. Cost represents that part of the purchase price for acquired publishing businesses assessed by Directors as the fair value of the masthead acquired.

Radio licences, being commercial radio licences held by the economic entity under the provisions of the Broadcasting Services Act 1992 are recorded at cost. Cost represents that part of the purchase price for acquired commercial broadcasting businesses assessed by Directors as the fair value of the licences acquired.

No amortisation is provided on mastheads and radio licences as the Directors believe that as a class, they do not have a finite economic life and their value has increased over time. Commercial radio licences are renewable every five years under the provisions of the Broadcasting Services Act 1992 and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act.

The Directors have reviewed the carrying value of mastheads and licences at June 30, 1998 and they believe that the carrying value of mastheads and licences as stated is less than their total recoverable amount. In assessing the recoverable amount the Directors have reviewed all mastheads and radio licences having primary regard to the revenue and expected future net cash flows of each publication and commercial/radio business and licences. Future cash flows have not been discounted to present values in making these assessments.

## Radio Licence Fees

Licence fees, which will be paid to the Australian Broadcasting Authority, based upon current year revenues, have been accrued in the accounts in accordance with the formulae set by the Australian Broadcasting Authority.

## Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business. Goodwill is amortised by the straight line method over a period between ten and fifteen years during which benefits are expected to be received.

The unamortised balance of goodwill is reviewed at least annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss account.

## Insurance Licences

Insurance licence agreements are amortised over their assessed life not exceeding twenty years using the straight line method.

## Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or economic entity. Amounts payable are normally settled within 30 days.

#### Bank Overdraft and Bank Bills

These are carried at the principal amount subject to set-off arrangements. Interest is charged as an expense as it accrues.

#### Deferred Vendor Finance

The deferred cash settlement is recognised at the principal amount. No interest is payable on the outstanding amount.

#### Taxation

The economic entity adopts the liability method of tax effect accounting.

#### Employee benefits

Long service leave is accrued in the accounts in accordance with the relevant legislation and awards. The provision for long service leave is allocated in the balance sheet to reflect the current and non-current portion of this liability.

Annual leave accruals including oncosts are calculated on the estimated entitlement due to the employees at balance date.

Contributions made to superannuation plans are charged against profits.

#### Foreign currency

Transactions in foreign currencies are converted to Australian dollars at the rates of exchange ruling on the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated to Australian dollars at the rates of exchange ruling at balance date. Realised and unrealised gains and losses arising from exchange rate fluctuations in foreign currencies are included in the profit and loss statement.

Assets and liabilities of overseas controlled entities are translated to Australian dollars at the rate of exchange ruling at balance date. Income and expenses have been translated at the average of exchange rates ruling during the year. As overseas controlled entities are self-sustaining, exchange differences have been taken directly to the foreign currency translation reserve.

#### Derivative Financial Investments

The Company is exposed to fluctuations in exchange rates from its inventories purchase commitments denominated in foreign currencies. It is company policy to only use forward foreign exchange contracts to hedge a proportion of this exposure. Company policy is to not enter, hold or issue derivative financial instruments for trading purposes.

Gains and losses relating to the hedge of the purchase commitments are deferred and are included as adjustments to the carrying amount of inventories when the hedged transaction occurs. The terms of the foreign currency and purchase commitment contracts are not more than twelve months.

The Company has entered into interest rate swaps to hedge its exposure to adverse movements in interest rates on borrowings. Maturities of swap contracts are between 10 months and 52 months. All contracts are with a major Australian bank.

#### Revenue Recognition

Subscription revenue is billed to customers at the beginning of the period of service and unearned revenue is recorded at that time. Unearned revenue is recognised as each issue is published.

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
2. REVENUE				
Sales revenue	341,338	299,353	-	-
Other revenue				
Dividends from:				
controlled entities	-	-	950	21,916
other persons	331	169	-	-
Interest income from:				
controlled entities	-	-	7,407	5,678
other persons	1,089	832	664	512
Gross proceeds on sale of property, plant and equipment	1,108	1,004	1,483	473
Gross proceeds on sale of investments	1	2	-	-
Gross proceeds on sale of radio division	87,950	-	87,950	-
Inter-entity charges	-	-	18,011	20,225
Other	4,371	3,329	95	284
	<u>436,188</u>	<u>304,689</u>	<u>116,560</u>	<u>49,088</u>

### 3. OPERATING PROFIT

Included in operating profit are the following items of (income)/expense

Interest expense:				
controlled entities	-	-	423	507
other persons	9,429	7,998	5,426	7,839
finance lease charges	54	101	-	-
Net (profit)/loss from sale of property, plant & equipment	(185)	(132)	(94)	(41)
Profit from sale of radio division	(31,176)	-	(41,763)	-
Loss on sale of investments	5	-	-	-
Amortisation of:				
leased assets capitalised	100	238	-	-
leasehold property	14	14	14	14
goodwill	174	108	-	-
licence agreements	322	-	-	-
Depreciation of:				
property	597	642	291	291
plant & equipment	8,361	8,771	5,225	5,282
Amounts set aside to provision for:				
doubtful debts	1,814	1,787	-	-
employee benefits	8,742	9,152	49	317
Net foreign exchange loss/(gain)	(171)	-	(171)	-
Rental expense under operating leases	5,159	3,196	99	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 4. ABNORMAL ITEM

Profit on sale of Regional Broadcasters Australia Pty. Limited

  and its subsidiaries

Income tax effect

	31,176	-	41,763	-
	(3,760)	-	(3,760)	-
	<u>27,416</u>	<u>-</u>	<u>38,003</u>	<u>-</u>

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>5. TAXATION</b>				
Reconciliation of prima facie tax				
Prima facie tax expense on the operating profit at rates in the countries of source	33,543	19,154	17,892	9,509
Increase (decrease) in a tax expense due to non tax deductible:				
depreciation	137	133	45	45
non deductible entertainment and other expenses	420	384	78	73
rebates on dividends received	(119)	(70)	(342)	(7,890)
CGT losses recognised	(11,073)	-	(11,073)	-
difference between accounting and tax profit on disposal of controlled entity	3,610	-	-	-
tax loss adjustment	14	-	(387)	-
tax losses not previously recognised	-	(19)	-	-
other items	(58)	(3)	-	-
	<hr/>			
Income tax expense on current year's operating profit	26,474	19,579	6,012	1,737
Income tax (over) under provided in prior years	(802)	(269)	(645)	(171)
	<hr/>			
Income tax expense on operating profit	25,672	19,310	5,367	1,566
	<hr/>			
Total income tax expense comprises:				
Reductions/(additions) to future income tax benefits	(368)	155	(556)	(187)
Additions/(reductions) to deferred income tax liability	28	37	-	-
Additions to provision for income tax	26,012	19,118	5,923	1,753
	<hr/>			
	25,672	19,310	5,367	1,566
	<hr/>			
<b>6. CURRENT RECEIVABLES</b>				
Trade debtors	50,189	40,905	-	-
Provision for doubtful debts	(3,307)	(3,487)	-	-
	<hr/>			
	46,882	37,418	-	-
Short term deposits	2,415	14,319	-	13,000
Other debtors	5,237	7,226	4,127	5,099
Amounts owing from related entities	-	-	149,491	187,918
	<hr/>			
	54,534	58,963	153,618	206,017
	<hr/>			

Short term deposits maturing within 60 days and paying interest rates of 4.0% (1997 between 4.5% and 5.35%) for Australia and USA, and between 8.6% and 8.92% (1997 7.95%) for New Zealand.

Included in other debtors are amounts owing from employees, under the Rural Press Limited Employee Share Scheme (1990), of \$3,825,000 (1997 \$4,749,000).

The carrying amounts of trade debtors, short term deposits and other debtors approximates their net fair values.

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
7. CURRENT INVENTORIES				
Raw material at cost	14,896	8,061	3,564	2,137
Finished goods at cost	356	324	-	-
Stock in transit at cost	362	536	362	536
Consumable stores at cost	201	207	-	-
	<u>15,815</u>	<u>9,128</u>	<u>3,926</u>	<u>2,673</u>
8. OTHER CURRENT ASSETS				
Prepayments	2,791	2,712	3	698
9. NON-CURRENT INVESTMENTS				
Shares in controlled entities - not listed on stock exchanges				
At directors' valuation 1987	-	-	52,512	52,512
At cost	-	-	19,123	11,329
Shares in other corporations - listed on stock exchanges				
At lower of cost or recoverable amount	17	17	-	-
Shares in other corporations - not listed on stock exchanges				
At cost	1,588	3,552	-	-
Interest in business undertaking - partnership				
At cost	6,193	6,193	-	-
	<u>7,798</u>	<u>9,762</u>	<u>71,635</u>	<u>63,841</u>
Market value of listed shares	27	23	-	-

The economic entity has a 50% interest in the Gippsland Regional Publications Partnership. The principal activity of the partnership is the publication and printing of newspapers and magazines. The economic entity's interest in the net assets of the partnership as at June 30, 1998 was \$8,318,000 (1997 \$8,479,000) and the contribution to the result for the year was a profit of \$809,000 (1997 profit of \$773,000).

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
10. PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
At cost	-	2,983	-	1,622
At independent valuation				
June 30, 1995	-	11,619	-	3,193
June 30, 1998	13,530	-	5,960	-
	13,530	14,602	5,960	4,815
Buildings on freehold land				
At cost	-	4,782	-	3,196
Accumulated depreciation	-	(205)	-	(98)
	-	4,577	-	3,098
At independent valuation				
June 30, 1995	-	26,171	-	11,410
June 30, 1998	28,827	-	14,772	-
Accumulated depreciation	-	(1,039)	-	(456)
	28,827	25,132	14,772	10,954
Buildings on leasehold land				
At cost	428	428	428	428
Accumulated amortisation	(195)	(181)	(195)	(181)
	233	247	233	247
Total land and buildings	42,590	44,558	20,965	19,114
Plant and equipment				
At cost	82,243	90,493	51,359	47,575
Accumulated depreciation	(51,630)	(56,249)	(31,191)	(27,720)
	30,613	34,244	20,168	19,855
Capitalised finance leases				
Plant and equipment - at cost	749	2,397	-	-
Accumulated amortisation	(219)	(1,024)	-	-
	530	1,373	-	-
Total plant and equipment	31,143	35,617	20,168	19,855
	73,733	80,175	41,133	38,969

The independent valuation in 1998 was carried out as at June 30, 1998 by MS Parkinson AAPI Reg N° 2747 of JLW Advisory Services Pty Limited, and is on the basis of the existing use value of the properties, except where a small number of properties are for sale the market value has been used. The Directors are of the opinion that this basis provides a reasonable estimate of recoverable amount.

This valuation is in accordance with the Company's policy of obtaining an independent valuation of freehold land and buildings every three years.

Any capital gains tax on disposal of properties for sale would be insignificant.

The independent valuation in 1995 was carried out as at June 30, 1995 by JR Talbot AAPI of JLW Advisory Services Pty. Limited and was on the basis of existing use value.

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>11. MASTHEADS</b>				
At Directors' valuation June 14, 1990	76,089	76,089	-	-
At Directors' valuation October 31, 1990	2,560	2,560	-	-
At cost	223,956	134,253	-	-
	<b>302,605</b>	<b>212,902</b>	-	-
Movements				
Balance at beginning of year	212,902	212,799	-	-
Acquired during the year	73,125	95	-	-
Closures during the year	-	(307)	-	-
Translation adjustment on overseas entity	16,578	315	-	-
	<b>302,605</b>	<b>212,902</b>	-	-
<b>12. RADIO LICENCES</b>				
At cost	1,915	41,105	-	-
Movements				
Balance at beginning of year	41,105	42,493	-	-
Acquired during the year	1,915	80	-	-
Disposed of during the year	(41,105)	(1,468)	-	-
	<b>1,915</b>	<b>41,105</b>	-	-
<b>13. OTHER NON-CURRENT ASSETS</b>				
Goodwill				
At cost	1,754	1,607	-	-
Accumulated amortisation	(340)	(166)	-	-
	<b>1,414</b>	<b>1,441</b>	-	-
Insurance licence agreements				
At cost	7,134	-	-	-
Accumulated amortisation	(322)	-	-	-
	<b>6,812</b>	-	-	-
Future income tax benefits				
	9,184	9,299	2,408	1,856
	<b>17,410</b>	<b>10,740</b>	<b>2,408</b>	<b>1,856</b>
Future income tax benefits include amounts attributable to tax losses carried forward				
	-	886	-	-

Potential future income tax benefits in acquired companies arising from carried forward tax losses which have not been recognised as an asset because recovery is not virtually certain amount to approximately \$1,803,000 (1997 \$1,935,000).

The potential future income tax benefit will only be obtained if the relevant companies:

- (i) derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) continue to comply with the conditions for deductibility imposed by the law; and if

no changes in tax legislation adversely affect the relevant companies in realising the benefit.

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
14. ACCOUNTS PAYABLE				
Current				
Trade creditors and accruals	42,866	31,064	11,077	8,043
Amounts owing to related entities	-	-	37,917	20,710
	<u>42,866</u>	<u>31,064</u>	<u>48,994</u>	<u>28,753</u>
Non Current				
Magazine subscriptions	2,121	-	-	-
	<u>2,121</u>	<u>-</u>	<u>-</u>	<u>-</u>

The carrying amounts of trade creditors and accruals approximate their net fair values.

#### 15. BORROWINGS

Current				
Bank overdraft - unsecured	2,504	-	-	-
Deferred vendor finance	-	10,000	-	-
Liabilities under finance leases	184	931	-	-
	<u>2,688</u>	<u>10,931</u>	<u>-</u>	<u>-</u>
Non-Current				
Bank bills and borrowings - unsecured	101,504	112,000	20,000	112,000
Bank bills - secured*	-	1,050	-	-
Liabilities under finance leases	367	620	-	-
	<u>101,871</u>	<u>113,670</u>	<u>20,000</u>	<u>112,000</u>

\* Secured by a floating charge over the assets and undertaking of the relevant controlled entities.

The carrying amounts of bank overdrafts, deferred vendor finance, finance leases and bank bills approximate their net fair values.

#### 16. PROVISIONS

Current				
Dividends	12,168	10,359	12,168	10,359
Income tax	11,691	10,380	5,758	1,154
Employee benefits	8,265	8,784	358	562
	<u>32,124</u>	<u>29,523</u>	<u>18,284</u>	<u>12,075</u>
Non-Current				
Deferred income tax liability	12	37	-	-
Employee benefits	4,436	4,379	917	716
	<u>4,448</u>	<u>4,416</u>	<u>917</u>	<u>716</u>

The carrying amount of dividends approximate their net fair value.

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>17. SHARE CAPITAL</b>				
Authorised capital				
200,000,000 ordinary shares at \$1 each	200,000	200,000	200,000	200,000
250,000,000 preferred shares at \$0.20 each	50,000	50,000	50,000	50,000
	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Issued capital				
106,081,929 ordinary shares of \$1 each fully paid	106,082	106,082	106,082	106,082
53,041,290 preferred shares at \$0.20 each fully paid	10,608	10,608	10,608	10,608
	<u>116,690</u>	<u>116,690</u>	<u>116,690</u>	<u>116,690</u>
<b>18. RESERVES</b>				
Asset revaluation	17,442	15,754	13,642	11,784
Share premium	16,694	16,694	16,694	16,694
Capital profits	3,599	3,599	309	309
General	2,000	2,000	2,000	2,000
Foreign currency translation	5,625	663	-	-
	<u>45,360</u>	<u>38,710</u>	<u>32,645</u>	<u>30,787</u>
Movements in asset revaluation reserve				
Balance at beginning of year	15,754	15,781	11,784	11,784
Revaluation of land and building to sale price	-	(27)	-	-
Revaluation of land and buildings	2,223	-	1,858	-
Transfer to profit and loss	(535)	-	-	-
	<u>17,442</u>	<u>15,754</u>	<u>13,642</u>	<u>11,784</u>
Movements in foreign currency translation reserve				
Balance at beginning of year	663	244	-	-
Translation adjustment on financial statements of overseas controlled entities	4,962	419	-	-
	<u>5,625</u>	<u>663</u>	<u>-</u>	<u>-</u>

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>19. OUTSIDE EQUITY INTERESTS</b>				
Analysis of outside equity interests in controlled entities:				
Share capital	2,746	2,401		
Reserves	5,782	5,675		
Retained profits	3,888	3,454		
	<u>12,416</u>	<u>11,530</u>		
Reconciliation of outside equity interests in controlled entities:				
Opening balance	11,530	11,292		
Share of operating profit	1,854	1,743		
Dividends paid	(1,420)	(1,500)		
Shares allotted	345	-		
Share of disposal of controlled entity	-	(5)		
Revaluation of land and buildings as at June 30, 1998	107	-		
	<u>12,416</u>	<u>11,530</u>		
<b>20. DIVIDENDS</b>				
Dividends provided for or paid				
Interim dividend paid of 4.6 cents per ordinary share (1997 4.0 cents per share)	4,880	4,243	4,880	4,243
Interim dividend paid of 5.06 cents per preferred share (1997 4.4 cents per share)	2,684	2,334	2,684	2,334
Final dividend provided for of 7.40 cents per ordinary share (1997 6.3 cents per share)	7,850	6,683	7,850	6,683
Final dividend provided for of 8.14 cents per preferred share (1997 6.93 cents per share)	4,318	3,676	4,318	3,676
	<u>19,732</u>	<u>16,936</u>	<u>19,732</u>	<u>16,936</u>
Dividend imputation				
All dividends paid or proposed are fully franked out of existing franking credits or out of franking credits arising from the payment of income tax in the forthcoming period.				
Amount of retained profits and reserves that could be distributed as franked dividends (after the proposed dividend) out of existing franking credits and franking credits arising from the payment of income tax in the forthcoming year.				
- Pre-acquisition profits at 36%	5,750	33,580		
- Post-acquisition profits at 36%	<u>90,830</u>	<u>80,602</u>		

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
21. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	66,719	33,941	44,333	24,848
Add/(less) non-cash items:				
Depreciation	8,958	9,413	5,516	5,573
Amortisation	610	360	14	14
Provision for doubtful debts	1,814	1,169	-	-
Profit on sale of property, plant & equipment	(343)	(220)	(158)	(104)
Loss on sale of property, plant & equipment	158	88	64	63
Profit on sale of investments	(31,176)	-	(41,763)	-
Loss of sale of investment	5	-	-	-
Write-off of mastheads	-	307	-	-
Increase/(decrease) in income taxes payable	2,361	(4,984)	4,604	(720)
(Increase)/decrease in future income tax benefits	(172)	127	(552)	(168)
Increase/(decrease) in deferred taxes payable	28	37	-	-
Changes in assets and liabilities				
(Increase)/decrease in debtors	(8,760)	(185)	-	-
Decrease/(increase) in other debtors	1,738	251	972	494
Decrease/(increase) in amounts owing from related entities	-	-	38,427	140,182
(Increase)/decrease in inventories	(4,864)	4,961	(1,253)	(54)
Decrease/(increase) in prepayments	835	(1,054)	695	(554)
Increase/(decrease) in trade creditors and accruals	4,972	(334)	3,035	499
(Decrease)/increase in amounts owing to related entities	-	-	17,207	(144,389)
(Decrease) in lease liabilities	(887)	(1,252)	-	-
Increase in employee leave provisions	161	247	(3)	220
Net cash provided by operating activities	42,157	42,872	71,138	25,904

	CONSOLIDATED ACQUISITIONS		CONSOLIDATED DISPOSALS	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
(b) Businesses acquired/disposed of				
Consideration				
Cash	79,895	2,924	87,950	1,477
Outside equity interest at date of acquisition/disposal	345	-	-	5
Pre-existing interest at date of acquisition	350	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	80,590	2,924	87,950	1,482
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value of net assets of businesses acquired/disposed				
Cash	296	32	471	36
Short term deposits	-	-	-	-
Trade debtors	6,776	362	4,259	-
Other debtors	109	33	420	50
Inventories	1,832	182	9	-
Prepayments	1,255	46	341	12
Investments	-	-	1,568	-
Property, plant and equipment	1,091	2,702	12,039	4
Mastheads	72,941	72	-	-
Radio licences	1,915	-	41,104	1,468
Goodwill	147	735	-	-
Insurance licence agreements	5,872	-	-	-
Future income tax benefits	137	457	424	4
Bank overdraft	-	(30)	-	-
Trade creditors and accruals	(10,753)	(1,304)	(1,802)	(83)
Income tax payable	(61)	-	(1,113)	(2)
Employee leave provisions	(105)	(141)	(558)	(7)
Lease liabilities	(8)	(10)	(66)	-
Bank bills	(810)	-	-	-
Deferred income tax liability	-	-	(52)	-
Employee leave provisions- non-current	(44)	(182)	(214)	-
Lease liabilities - non-current	-	(30)	(56)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	80,590	2,924	56,774	1,482
Profit on sale	-	-	31,176	-
	<hr/>	<hr/>	<hr/>	<hr/>
	80,590	2,924	87,950	1,482
	<hr/>	<hr/>	<hr/>	<hr/>
Outflow/inflow of cash, net of cash acquired/disposed				
Cash consideration	79,895	2,924	87,950	1,477
Less Cash at bank	296	32	471	36
Short term deposits	-	-	-	-
Bank overdraft	-	(30)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	79,599	2,922	87,479	1,441
	<hr/>	<hr/>	<hr/>	<hr/>

	CONSOLIDATED		COMPANY	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
<b>22.FINANCING ARRANGEMENTS</b>				
The economic entity has access to the following financing arrangements:				
Bill acceptance and cash advance facilities				
maturing within 12 months	30,000	30,000	30,000	30,000
maturing after 12 months	170,000	121,500	170,000	120,000
	<hr/>	<hr/>	<hr/>	<hr/>
	200,000	151,500	200,000	150,000
amount unused	<hr/>	<hr/>	<hr/>	<hr/>
	98,496	38,450	180,000	38,000
Bank overdraft facilities				
maturing within 12 months	2,000	2,000	2,000	2,000
maturing after 12 months	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,000	2,000	2,000	2,000
amount unused	<hr/>	<hr/>	<hr/>	<hr/>
	2,000	2,000	2,000	2,000

Does not include leasing arrangements as disclosed in Note 26.

The Company has an unsecured bank overdraft. Interest on the bank overdraft is charged at prevailing market rates. The effective interest rate is 8.25% (1997 8.25%).

The Company has an unsecured bank loan denominated in Australian dollars covering borrowings by the Company and an overseas subsidiary. The loans bear interest at the Bank Bill Rate or LIBOR rates plus the economic entity's credit margin. The effective annual interest rate is 5.82% (1997 6.26%) at June 30.

### 23. REMUNERATION OF AUDITORS

Amounts received or due and receivable for				
audit of the statutory accounts by:				
Auditors of the Company	453	470	95	95
Other auditors	222	96	-	-
Amounts received or due and receivable for				
other services by:				
Auditors of the Company	1,050	80	932	62
Other auditors	13	13	4	3
	<hr/>	<hr/>	<hr/>	<hr/>
	1,738	659	1,031	160

	CONSOLIDATED		COMPANY	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
24. REMUNERATION OF DIRECTORS				
Aggregate income paid or payable, or otherwise made available to all Directors in connection with management of the affairs of Rural Press Limited and its controlled entities and includes amounts paid to full time executives who are required to be directors of partly owned entities	1,804	2,164	743	703
Number of Directors of Rural Press Limited whose income is received from that entity and its controlled entities fell within the following bands:				
\$30,001 - \$40,000			-	5
\$40,001 - \$50,000			5	-
\$100,001 - \$110,000			1	1
\$380,001 - \$390,000			-	1
\$420,001 - \$430,000			1	-

The above amounts (including comparatives) are disclosed in accordance with ASC Class Order 95/741, dated June 27, 1995. The amounts include superannuation contributions, together with statutory leave entitlements.

Directors of the Company during the year were:

J. B. Fairfax, AM	B.J. Taplin
B. Gowrie Smith	I. G. Holmes
T. V. Fairfax	B.K. McCarthy
D. J. Asimus, AO	

#### 25. REMUNERATION OF EXECUTIVES

Amounts received, or due and receivable by executives whose remuneration was \$100,000 or greater	3,459	4,083	1,887	1,943
Number of executives whose remuneration was within the following bands:				
\$100,001 - \$110,000	3	10	-	3
\$110,001 - \$120,000	8	4	2	-
\$120,001 - \$130,000	2	1	1	-
\$130,001 - \$140,000	1	-	-	-
\$150,001 - \$160,000	1	4	-	2
\$160,001 - \$170,000	2	2	1	-
\$180,001 - \$190,000	-	1	-	-
\$190,001 - \$200,000	1	-	1	-
\$200,001 - \$210,000	1	2	1	2
\$250,001 - \$260,000	-	2	-	2
\$260,001 - \$270,000	1	-	1	-
\$270,001 - \$280,000	1	-	1	-
\$380,001 - \$390,000	-	1	-	1
\$420,001 - \$430,000	1	-	1	-

The above amounts (including comparatives) are disclosed in accordance with ASC Class Order 94/1529, dated October 13, 1994. The amounts include superannuation contributions, together with statutory leave entitlements.

	CONSOLIDATED		COMPANY	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
26. LEASE COMMITMENTS				
Operating leases and amounts:				
Due within 1 year	3,654	2,744	1,739	1,140
Due later than 1 year and not later than 2 years	2,384	2,116	1,166	838
Due later than 2 years and not later than 5 years	1,604	1,605	850	557
Due later than 5 years	3	109	-	-
	<u>7,645</u>	<u>6,574</u>	<u>3,755</u>	<u>2,535</u>
Finance leases and amounts:				
Due within 1 year	211	1,022	-	-
Due later than 1 year and not later than 2 years	186	400	-	-
Due later than 2 years and not later than 5 years	214	233	-	-
	<u>611</u>	<u>1,655</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	611	1,655	-	-
Future finance charges	(60)	(104)	-	-
	<u>551</u>	<u>1,551</u>	<u>-</u>	<u>-</u>
Lease liability				
Current	184	931	-	-
Non-current	367	620	-	-
	<u>551</u>	<u>1,551</u>	<u>-</u>	<u>-</u>

## 27. SEGMENT REPORTING

	Operating Revenue		Segment Assets		Earnings Before Tax	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Australia	276,022	266,077	365,308	365,948	57,367	53,270
Overseas	63,848	12,361	121,265	10,862	10,542	680
	<u>339,870</u>	<u>278,438</u>	<u>486,573</u>	<u>376,810</u>	<u>67,909</u>	<u>53,950</u>
Discontinued segment: Radio Division	7,279	25,419	-	60,045	1,700	6,568
Abnormal item	87,950	-	-	-	31,176	-
Net interest	1,089	832	-	-	(8,394)	(7,267)
	<u>436,188</u>	<u>304,689</u>	<u>486,573</u>	<u>436,855</u>	<u>92,391</u>	<u>53,251</u>

The Company and its controlled entities operate predominantly in the publishing and printing industry.

## 28. CAPITAL COMMITMENTS

The Company and its controlled entities are committed to purchase plant, equipment and buildings totalling \$22,313,000. These amounts will be expended during the year ending June 30, 1999.

Subsequent to year end, a subsidiary of the Company has signed a contract on August 22, 1998 to purchase The Federal Capital Press of Australia Pty. Limited for \$160,000,000. This will be settled by mid to late September 1998.

## 29. CONTINGENT LIABILITIES AND GUARANTEES

- (a) The Company and its controlled entities are defendants in a number of legal actions arising from their operations. The Directors believe that these actions can be successfully defended and therefore no material losses will be incurred. The costs expected in defending these actions have been allowed for in the accounts.
- (b) A controlled entity has guaranteed the payment of customs duty with the Australian Customs Service to the value of \$500,000.

## 30. SUPERANNUATION COMMITMENTS

The economic entity participates in eleven main superannuation plans, of which one has members with defined benefits, which is sponsored by the Company, and the remainder with accumulation benefits. The majority of employees of the economic entity participate in the superannuation plans providing accumulation benefits. Employer contributions are made to these plans at levels equal to or in excess of the minimum required by the Superannuation Guarantee Legislation.

For the defined benefit plan employer contributions are based on the advice of the plan's actuary. All employees are entitled to benefits on retirement, and if elected, disability or death.

The plan provides defined benefits based on years of service and final average salary. The Company and other controlled entities are under no legal obligation to make up any shortfall in the plan's assets to meet payments due to employees.

The accrued benefits, plan assets at net market value and vested benefits of the plans are set out in the table below.

Defined Benefit Plan	Total Plan at Net Market Value (i)		Total Accrued Benefits (ii)		Excess/ (Deficit)		Total Vested Benefits (iii)	
	1998	1997	1998	1997	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Plans sponsored by the Company (either individually or jointly with other entities in the economic entity):

Rural Press Limited Staff Superannuation Plan	3,131	2,849	2,780	2,460	351	389	2,581	1,919
---	-------	-------	-------	-------	-----	-----	-------	-------

- (i) Plan assets at net market value have been calculated at June 30, 1997, being the date of the most recent approved financial statements of the plans.
- (ii) Accrued benefits have been obtained from the most recent approved financial statements of the plan being June 30, 1997. It is based on the following actuarial review:
- Rural Press Limited Staff Superannuation Plan - conducted as at July 1, 1995 by P.W. May BSc, FIAA of Buck Consultants Pty Ltd.
- (iii) Vested benefits have been calculated at June 30, 1997, being the date of the most recent approved financial statements of the plan.

The Directors, based on the advice of the trustees of the above plan, are not aware of any changes in circumstances since the date of the most recent financial statements of the plan which would have a material impact on the overall financial position of the above plan.

Details of contributions to the above plan during the year and contributions payable at June 30, 1998 are as follows:

	CONSOLIDATED		COMPANY	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Employer contributions to the plan	-	39	-	39
Employer contributions payable to the plan	-	-	-	-

Accrued benefits are benefits which the plan is presently obliged to pay at some future date, as a result of membership of the plan.

Vested benefits are benefits which are not conditional upon the continued membership of the plan or any factor, other than resignation from the plan.

### 31. RELATED PARTY TRANSACTIONS

During the year there have been transactions between Rural Press Limited and its controlled entities which have been eliminated on consolidation. Rural Press Limited supplies newsprint, accounting and administrative assistance to members of the economic entity on commercial terms and conditions. The amounts outstanding at balance date are set out in Notes 6 and 14.

#### Transactions with Director Related Entities

Companies of the economic entity have provided advertising to Primac Holdings Limited of which T.V. Fairfax was a Director. Companies of the economic entity have provided advertising to Wesfarmers Limited and its subsidiaries, of which D. J. Asimus is a Director. Companies of the economic entity have provided advertising and received interest on deposits with Westpac Banking Corporation, of which J.B.Fairfax is a Director. In total these services, provided on normal terms and conditions, amounted to \$3,618,037 (1997 \$2,439,569).

Companies of the economic entity have acquired printing and distribution services from Hannanprint and Newsagents Direct Distribution, entities over which J. B. Fairfax and T.V. Fairfax have a significant influence. Companies of the economic entity have acquired goods and services from Wesfarmers Limited and its subsidiaries, of which D. J. Asimus is a Director. Companies of the economic entity have paid interest on borrowings and have acquired services from Westpac Banking Corporation, of which J.B.Fairfax is a Director. These services, acquired on normal terms and conditions amounted to \$6,136,910 (1997 \$4,676,177).

	CONSOLIDATED		COMPANY	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Loans to Executive Directors				
Pursuant to the Rural Press Limited Senior Staff Share Scheme, Rural Press Limited Employee Loan Scheme and Rural Press Limited Employee Share Scheme (Established 1990)				
Amounts outstanding	614	704	172	191
Interest received	5	9	-	-
New loans advanced				
Rural Press Limited Employee Loan Scheme	-	-	-	-
Rural Press Limited Employee Share Scheme (Established 1990)	-	88	-	-
Repayments received				
Rural Press Limited Employee Loan Scheme	28	29	-	-
Rural Press Limited Employee Share Scheme (Established 1990)	99	171	19	18

All executive Directors are full time employees of the Company who, except for the Managing Director, act as Directors of controlled entities on behalf of the Company.

Rural Press Limited Employee Loan Scheme approved by shareholders on November 3, 1988. There is 1 loan of \$56,834 outstanding under this scheme (1997 1 loan outstanding of \$80,000) to a full time employee of the Company appointed as an Executive Director of a subsidiary.

Rural Press Limited Employee Share Scheme approved by shareholders on June 21, 1990: Loans varying between \$8,000 and \$188,000 (1997 \$10,000 and \$204,000) to 6 (1997 7) Directors of the economic entity, including an existing loan to a full time employee of the economic entity appointed as an Executive Director of a subsidiary during the year. There were 3 loans made during the prior year to P. Caton, J. Jiear and A.E. Williams. Repayments were received from B.K. McCarthy, B. Clarke, B.C. Cassell, P. Caton, J. Jiear, I.F. Law, R. Mackie and A.E. Williams (1997 B.K. McCarthy, D.W. Austin, B.C. Cassell, P. Caton, J. Jiear, I.F. Law and A.E. Williams).

#### Directors' Shareholdings

During the prior year 3 Directors of the economic entity in the full time employment of the economic entity acquired 22,500 ordinary fully paid shares in terms of the Rural Press Limited Employee Share Scheme (Established 1990).

Details of the shareholdings of Directors of the Company are set out in the Directors Report. Dividends were paid in respect of these shares at the declared dividend rates. Details of Directors names, remuneration and superannuation payments are set out in Note 24.

Details of interests in controlled entities are set out in Note 37.

Details of the interest in partnerships are set out in Notes 1 and 9.

Details of the economic entity's employee superannuation plans are set out in Note 30.

#### 32. ULTIMATE CHIEF ENTITY

The ultimate chief entity of Rural Press Limited is Marinya Holdings Pty. Limited, incorporated in Australia.

#### 33. FOREIGN CURRENCY

The domestic currency equivalent of foreign currency assets and liabilities of overseas controlled entities are in the accounts as follows:

	CONSOLIDATED	
	1998	1997
	\$'000	\$'000
New Zealand dollars		
Assets		
Current	2,219	2,157
Non-current	2,178	2,482
Total	4,397	4,639
Liabilities		
Current	1,158	1,638
United States dollars		
Assets		
Current	19,530	1,155
Non-current	101,359	5,068
Total	120,889	6,223
Liabilities		
Current	9,367	518
Non-current	83,625	-
	92,992	518

The Company has forward exchange contracts to buy future foreign currency requirements for newsprint purchases and repayment of a loan amounting to \$US3,500,000 due and payable within three months with a weighted average rate of \$0.644 (1997 \$US1,119,000 due and payable within three months with a weighted average rate of \$0.784) and to sell foreign currency amounting to \$US1,000,000 due within twelve months with a weighted average rate of \$0.589.

#### 34. EARNINGS PER SHARE

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 159,123,219 (1997 159,123,219).

#### 35. DEED OF CROSS GUARANTEE

Pursuant to an ASC Class Order 95/1530 dated 10 November 1995 (as amended), relief was granted on June 30, 1997 to the wholly owned subsidiaries listed in Note 37 from the Corporations Law requirements for preparation, audit and publication of accounts.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Law. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

At balance date the Company and subsidiaries which are a party to the Deed have aggregate assets of \$355,998,000 (1997 \$406,441,000); aggregate liabilities of \$77,870,000 (1997 \$172,305,000); and their contribution to the consolidated operating profit and abnormal items after income tax for the year was \$57,037,000 (1997 \$28,502,000).

#### 36. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

##### Credit Risk

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted. The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated on the balance sheet. The economic entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counter-parties, however the majority of customers are in Australia. All derivative contracts are with major financial institutions.

The economic entity's maximum credit risk exposure in relation to forward exchange contracts and interest rate swaps is detailed below.

##### Net Fair Values

###### Off-balance sheet financial instruments

The valuation of off-balance sheet financial instruments reflects the estimated amounts which the economic entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

	1998 \$'000	1997 \$'000
Interest rate swaps	(1,352)	*
Forward foreign exchange contracts	424	64
	<hr/>	<hr/>
	(928)	*

\* Last year's figures not available.

In securing certainty over future cash flows by hedging certain transactions, the economic entity has obtained a net notional loss of \$928,000. This notional loss will be offset by an equivalent favourable movement on the underlying transactions.

##### Interest Rate Risk

###### (i) Interest rate swaps

Interest rate swaps allow the economic entity to swap floating rate borrowings into fixed rates. Each contract involves quarterly payment or receipt of the net amount of interest. At June 30, 1998 the fixed rates varied from 6.10% to 7.55% and the floating rates were at the bank bill rates or the LIBOR rate plus the economic entity's credit margin. The weighted average effective floating interest rate at June 30 was 5.84% (1997 6.40%).

###### (ii) Interest rate risk exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Floating Interest Rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
			1 Year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>1998</b>							
Financial assets							
Cash		9,972	-	-	-	-	9,972
Receivables	6	2,415	-	-	-	52,119	54,534
Investments	9	-	-	-	-	1,605	1,605
		<u>12,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,724</u>	<u>66,111</u>
Weighted average interest rate		4.85					
Financial liabilities							
Bank overdrafts and loans	15	104,008	-	-	-	-	104,008
Accounts payable	14	-	-	-	-	42,866	42,866
Liabilities under finance leases	15	-	183	368	-	-	551
Dividends payable	16	-	-	-	-	12,168	12,168
		<u>104,008</u>	<u>183</u>	<u>368</u>	<u>-</u>	<u>55,034</u>	<u>159,593</u>
Interest rate swaps		<u>(59,900)</u>	<u>10,000</u>	<u>49,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average interest rate		5.77	7.73	6.55			
<b>1997</b>							
Financial assets							
Cash		11,368	-	-	-	-	11,368
Receivables	6	14,319	-	-	-	44,644	58,963
Investments	9	-	-	-	-	3,569	3,569
		<u>25,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,213</u>	<u>73,900</u>
Weighted average interest rate		4.98					
Financial liabilities							
Bank overdrafts and loans	15	113,050	-	-	-	-	113,050
Accounts payable	14	-	-	-	-	31,064	31,064
Liabilities under finance leases	15	-	963	588	-	-	1,551
Deferred vendor finance	15	-	-	-	-	10,000	10,000
Dividends payable	16	-	-	-	-	10,359	10,359
		<u>113,050</u>	<u>963</u>	<u>588</u>	<u>-</u>	<u>51,423</u>	<u>166,024</u>
Interest rate swaps		<u>(70,000)</u>	<u>20,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average interest rate		6.10	7.78	7.74			

### 37. PARTICULARS RELATING TO CONTROLLED ENTITIES

Entity and Place of Incorporation	Beneficial Interest %		Entity and Place of Incorporation	Beneficial Interest %	
	1998 \$'000	1997 \$'000		1998 \$'000	1997 \$'000
Company			The Examiner Newspaper Pty Limited - TAS	60 *	60 *
Rural Press Limited - NSW	-	-	Examiner Properties Pty Limited - TAS	60 *	60 *
Controlled entities operating within Australia			Regional Publishers (VIC) Pty Limited - VIC	100 *	+ 100 *
Rural Publishers Pty Limited - NSW	100	+ 100	Regional Publishers (Western Victoria) Pty. Limited (formerly Ringlow Pty Limited) - VIC	100 *	+ 100 *
Agricultural Publishers Pty Limited- NSW	100	+ 100	The Ballarat Courier Pty Limited - VIC	¶	+ 100 *
Rural Press Printing Pty Limited - QLD	100	+ 100	The Gateway Publishing Company Pty Limited - VIC	¶	+ 100 *
Hawkesbury River Typesetters Pty Limited - VIC	100 *	+ 100 *	Rural Press Regional Media (WA) Pty Limited - WA	100 *	+ 100 *
Canweb Printing Pty Limited - ACT	100 *	+ 100 *	Merredin Advertiser Pty Limited - WA	100 *	+ 100 *
J&R Graphics Pty Limited - ACT	100 *	+ 100 *	Esperance Holdings Pty Limited - WA	100 *	+ 100 *
Rural Press QLD Pty Limited - QLD	100	+ 100	The Printing Press Pty Limited - WA	100 *	+ 100 *
Rural Press (North Queensland) Pty Limited - QLD	100 *	100 *	The Queanbeyan Age Pty Limited - ACT	100 *	+ 100 *
Stock Journal Publishers Pty Limited - SA	100	+ 100	Media Investments Pty Limited - SA	100	+ 100 *
Ramsay Ware Stockland Pty Limited- VIC	100	+ 100	Lanson Investments Pty. Limited - SA	#100 *	50 *
West Australian Rural Media Pty Limited- WA	100	+ 100	5AU Broadcasters Pty. Limited - SA	#100 *	-
Western Australian Primary Industry Press Pty Limited - WA	100 *	+ 100 *	Regional Broadcasters Australia Pty Limited - WA	-	• 100 *
Regional Publishers Pty Limited - NSW	100	+ 100 *	Radio West Broadcasters Pty Limited - WA	-	100 *
Queensland Community Newspapers Pty Limited - QLD	100 *	+ 100 *	Elldale Pty Limited - WA	-	100 *
Gympie Times Pty Limited - QLD	100 *	+ 100 *	West Australian Radio Network Pty Ltd - WA	-	100 *
Mountain Press Pty Limited - NSW	88 *	88 *	Radio 6AM Pty Limited - WA	-	100 *
Nornews Pty Limited - NSW	¶	+ 100 *	Belcap Investments Pty Limited - WA	-	100 *
Tamworth Newspaper Co. Pty Limited - NSW	¶	+ 100 *	Mid-Districts Radio Pty Limited - WA	-	100 *
Upper Hunter Publishers Pty Limited- NSW	¶	+ 100 *	Esperance Broadcasters Pty Limited - WA	-	100 *
RPL Technology Pty Limited - NSW	100 *	+ 100 *	Greater Cairns Radio Pty Limited - ACT	-	100 *
Hibiscus Happynings Pty Limited - NSW	‡100 *	100 *	Townsville Broadcasters Pty Limited- ACT	-	100 *
Port Offset & Letterset Pty Limited - NSW	¶	+ 100 *	Barrier Reef Broadcasting Pty Limited - QLD	-	100 *
J.A. Bradley Holdings Pty Limited - NSW	¶	+ 100 *	Nessan Pty Limited - NSW	-	100 *
Harden Murrumburrah Express Pty Limited - NSW	¶	+ 100 *	North West Broadcasters Pty Limited - QLD	-	100 *
Carrow Pty Limited - NSW	¶	+ 100 *	North Queensland Broadcasting Corporation Pty Limited - QLD	-	100 *
Cudgegong Newspapers Pty Limited - NSW	100 *	+ 100 *	Controlled entities operating within New Zealand		
Snowy Mountains Publications Pty Limited - NSW	100 *	+ 100 *	Communication Associates Limited - NZ	100	100
Western Magazine Pty Limited - NSW	75 *	75 *	N.Z. Rural Press Limited - NZ	100 *	100 *
Western Magazine Settlement Trust - NSW	75 *	75 *	Controlled entities operating within United States		
Macleay Valley Happynings Pty. Limited - NSW	#75 *	-	Rural Press (USA) Limited - USA	100	100
Milton Ulladulla Publishing Co. Pty. Limited - NSW	#60 *	-	Rural Press USA Inc. - USA	100 *	100 *
Bridge Printing Office Pty Limited - SA	100 *	+ 100 *	Farm Progress Holding Co., Inc. - USA	#100 *	-
Port Lincoln Times Pty Limited - SA	100 *	+ 100 *	The Miller Publishing Co., Inc. - USA	#100 *	-
S.A. Regional Media Pty. Limited - SA	100 *	+ 100 *	Farm Progress Companies, Inc. - USA	#100 *	-
Northern Newspapers Pty Limited - SA	100 *	+ 100 *	Farm Progress Insurance Service, Inc. - USA	#100 *	-
The Barossa News Pty Limited - SA	100 *	+ 100 *	Indiana Prairie Farmer Insurance Service, Inc. - USA	#100 *	-
Country Publishers Pty Limited - SA	100 *	+ 100 *			
Whyalla News Properties Pty Limited - SA	100 *	+ 100 *			

\* Investment by controlled entity

+ Controlled Entities included in Class Order 95/1530. Also refer to Note 35.

‡ Deregistered or in process of deregistration.

¶ Liquidated or in liquidation

# Name of controlled entities acquired for cash

Macleay Valley Happynings Pty. Limited 75% acquired for \$450,000 with net assets of \$600,000

Milton Ulladulla Publishing Co. Pty. Limited 60% acquired for \$292,000 with net assets of \$480,667

Lanson Investments Pty. Limited remaining 50% acquired for \$594,821 with net assets of \$944,821

5AU Broadcasters Pty. Limited 50% acquired for \$1,064,000 with net assets of \$1,064,000

Farm Progress Holding Companies, Inc. 100% acquired for \$78,411,258 with net assets of \$78,411,258.

• Name of controlled entities disposed for cash:

Regional Broadcasters Australia Pty. Limited and subsidiaries disposed for \$87,950,000 with a consolidated profit of \$31,176,000

## STATEMENT BY DIRECTORS

Statement by Directors on the accounts set out on pages 6 to 30. In accordance with a resolution of the Directors of Rural Press Limited, we state that:

- (1) In the opinion of the directors of Rural Press Limited:
  - (a) the accounts set out on pages 6 to 30 are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended June 30, 1998, and the state of affairs at June 30, 1998, of the Company and the economic entity;
  - (b) the consolidated accounts have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law; and
  - (c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
- (2) The financial statements have been made out in accordance with applicable Accounting Standards.
- (3) There are reasonable grounds to believe that the Company and certain subsidiaries will, as an economic entity, be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to a Class Order. At the date of this statement the Company is within the class of companies affected by Class Order 95/1530. Refer to Note 35 for further details.

On behalf of the Board

J. B. Fairfax, AM  
Director

B.K. McCarthy  
Director

North Richmond N.S.W. August 27, 1998

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RURAL PRESS LIMITED

### Scope

We have audited the financial statements of Rural Press Limited for the financial year ended June 30, 1998, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the statement by Directors set out on pages 6 to 31. The financial statements comprise the accounts of the Company and the consolidated accounts of the economic entity, being the Company and its controlled entities. The Company's Directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position, the results of their operations and their cash flows.

The names of the controlled entities audited by overseas KPMG member firms and other auditors are:

Mountain Press Pty Limited	Rural Press (USA) Limited	Farm Progress Holding Co., Inc.
Communication Associates Limited	Rural Press USA Inc.	The Miller Publishing Co., Inc.
N.Z. Rural Press Limited	The Examiner Newspaper Pty Limited	Farm Progress Companies, Inc.
Examiner Properties Pty Limited	Farm Progress Insurance Services, Inc.	Indiana Prairie Farmer Insurance Service, Inc.

We have received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

### Audit opinion

In our opinion, the financial statements of Rural Press Limited are properly drawn up:

- a) so as to give a true and fair view of:
  - i) the state of affairs of the Company and the economic entity as at June 30, 1998, and the results and cash flows of the Company and the economic entity for the financial year ended on that date; and
  - ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- b) in accordance with the provisions of the Corporations Law; and
- c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

KPMG  
Chartered Accountants

G.M. Leppinus  
Partner

Sydney N.S.W. August 27, 1998

## SHAREHOLDER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders as at August 14, 1998 were as follows:

Shareholder	Ordinary Shares
J. B. Fairfax (held in trust for Marinya Media Pty. Limited)	4,410
T. V. Fairfax (held in trust for Marinya Media Pty. Limited)	4,410
Marinya Media Pty. Limited	54,375,687
	<hr/>
	54,384,507
	<hr/>
Perpetual Trustees Australia	5,391,335
Permanent Trustee Company Limited	7,019,641
	<hr/>

Distribution of Shareholders and Totals in each class  
as at August 14, 1998

(a) Category	Ordinary Shares	Preferred Shares
1-1000	1,159	1,161
1001-5000	1,319	892
5001-10000	392	256
10,001-100,000	492	271
100,001 and over	63	38
	<hr/>	<hr/>
Total Shareholders	3,425	2,618
(b) Holding less than a marketable parcel of 100 Ordinary Shares	24	

### Class of Shares and Voting Rights

Voting rights on all shares are governed by Article 63 of the Company's Articles of Association.

- (1) Subject to any rights or restrictions for the time being attached to any class, votes may be given either personally or by proxy or by attorney under power or in the case of a corporation by its duly authorised representative.
- (2) No person shall be entitled to vote unless he is a Member and present in person or by proxy or attorney or is the representative of a corporation which is a Member duly authorised in accordance with the Law.
- (3) Subject to the rights or restrictions attached to any class of shares, on a show of hands every Member present shall have one vote.
- (4) On a poll every Member present shall have one vote for each share held by him in the Company provided that in respect of partly paid shares the voting rights of a Member shall be pro rata to the proportion of the total issue price paid up on such shares."

The particular voting rights attached to the Preferred shares are governed by Article 5AA(1):

"The preferred shares shall entitle the holder or holders to receive notice of meetings and shall confer upon the holder or holders the right to cast one vote upon a show of hands and upon a poll one vote for each share held, but only at meetings convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of the Company, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preferred shares is in arrears more than 6 months. The preferred shares shall carry no other voting rights."

**TWENTY LARGEST SHAREHOLDERS**  
as at 14 August 1998

Ordinary Shares	No. of	% of Total
Shareholder	Ordinary Shares	Ordinary Shares
Marinya Media Pty. Limited	54,375,687	51.26
National Mutual Trustees Limited (PFM Ind Share Fund account)	3,753,408	3.54
Chase Manhattan Nominees Limited	3,396,906	3.20
Permanent Trustee Australia Limited (FIRO027 account)	2,022,272	1.91
New South Wales Farmers Association	1,937,234	1.83
Permanent Trustee Australia Limited (FIRO20 account)	1,730,883	1.63
NRMA Investments Pty. Limited	1,724,400	1.63
Mrs. Caroline E. O. Simpson	1,555,999	1.47
Permanent Trustee Australia Limited (FIRO018 account)	1,235,240	1.16
AMP Life Limited	1,216,703	1.15
National Nominees Limited	1,061,915	1.00
New South Wales Farmers Superannuation Company Limited	769,882	0.73
Westpac Custodian Nominees Limited	734,910	0.69
Permanent Trustee Australia Limited (PER0002 account)	562,961	0.53
CSS Board	447,939	0.42
Bridgestar Pty. Limited	400,000	0.38
Mrs. Eileen Mary Robertson (Estate late H S Robertson)	389,766	0.37
Citicorp Nominees Pty. Limited	350,399	0.33
Permanent Trustee Australia Limited (FIRO014 account)	338,190	0.32
Permanent Trustee Australia Limited (MLC0007 account)	302,012	0.28
<b>TOTAL</b>	<b>78,306,706</b>	<b>73.82</b>

  

Preferred Shares	No. of	% of Total
Shareholder	Preferred Shares	Preferred Shares
Marinya Media Pty. Limited	19,687,844	37.12
National Mutual Trustees Limited (PFM Ind Share Fund account)	3,320,964	6.26
Perpetual Trustees Nominees Limited	2,406,900	4.54
Permanent Trustee Australia Limited (FIRO027 account)	2,066,210	3.90
Permanent Trustee Australia Limited (FIRO020 account)	1,622,290	3.06
Permanent Trustee Australia Limited (FIRO018 account)	1,616,041	3.05
New South Wales Farmers Association	986,546	1.86
NRMA Investments Pty. Limited	862,200	1.63
AMP Life Limited	849,362	1.60
National Nominees Limited	828,718	1.56
Mrs. Caroline E. O. Simpson	778,000	1.47
Westpac Custodian Nominees Limited	724,163	1.37
New South Wales Farmers Superannuation Company Limited	577,412	1.09
Permanent Trustee Australia Limited (FIRO031 account)	491,439	0.93
Permanent Trustee Australia Limited (PER0002 account)	442,386	0.83
Chase Manhattan Nominees Limited	424,935	0.80
CSS Board	398,153	0.75
Permanent Trustee Australia Limited (FIRO014 account)	318,804	0.60
Transport Accident Commission	253,447	0.48
Victorian Workcover Authority	244,900	0.46
<b>TOTAL</b>	<b>38,900,714</b>	<b>73.34</b>

**CHANGES IN SHAREHOLDERS' DETAILS**

Shareholders who:

- have changed their address
- wish to consolidate two or more separate shareholdings
- do not wish to receive the annual report

should advise Rural Press' share registrar by completing the enclosed request form and returning it in the self addressed envelope provided.

\* Shareholders will continue to receive all other shareholder information except the annual report.

## EIGHT YEAR HISTORY

EARNINGS SUMMARY	1991 \$'000	1992 \$'000	1993 \$'000	1994 \$'000	1995 \$'000	1996 \$'000	1997 \$'000	1998 \$'000
Sales Revenue	150,686	169,222	187,969	210,957	231,853	282,881	299,353	341,338
Operating profit before interest and tax	22,714	29,176	34,802	42,076	49,219	60,273	60,518	69,609
Operating profit before tax (5)	18,632	25,109	33,781	41,090	46,224	52,720	53,251	61,215
Operating profit after tax (5)	11,229	15,099	19,240	27,820	31,609	33,375	33,941	39,303
Operating profit after tax and outside equity interests (5)	10,515	13,815	17,960	26,167	29,733	31,529	32,198	37,449
BALANCE SHEET SUMMARY								
Total assets	196,081	240,345	250,172	271,158	336,188	430,332	436,855	486,573
Total liabilities	76,868	64,815	62,488	71,642	119,006	198,973	189,604	186,118
Net assets	19,213	175,530	187,684	199,516	217,182	231,359	247,251	300,455
Shares on issue	26,521	35,361	35,361	106,082	106,082	159,123	159,123	159,123
KEY INDICATORS								
Annual dividend (4)	5,304	6,365	8,840	13,260	14,851	16,443	16,936	19,732
Earnings per share (1) (2) (5)	\$0.087	\$0.100	\$0.113	\$0.164	\$0.187	\$0.198	\$0.202	\$0.235
Dividends per share:								
- ordinary (2)(4)	\$0.040	\$0.047	\$0.053	\$0.083	\$0.093	\$0.100	\$0.1030	\$0.1200
- preferred	-	-	-	-	-	\$0.110	\$0.1133	\$0.1320
Net assets per share (2)(3)	\$0.91	\$1.06	\$1.11	\$1.25	\$1.37	\$1.45	\$1.55	\$1.89
Number of employees	1,667	1,779	1,856	2,058	2,281	2,813	2,903	2,810
Interest bearing debt to equity	34.0%	10.5%	6.2%	7.7%	26.5%	48.0%	46.4%	34.8%
Net interest cover (times)	4.7	7.2	34.1	42.7	16.4	8.0	8.3	8.3
Return on average shareholders funds (5)	9.8	10.0%	10.5%	14.3%	15.1%	14.8%	14.1%	14.3%
Dividend payout ratio (4) (5)	50.4%	46.0%	47.2%	50.7%	50.0%	52.2%	52.6%	52.7%
Profit before interest and tax to sales	15.1%	17.2%	18.5%	19.9%	21.2%	21.3%	20.2%	20.4%
Growth in sales	21.9%	12.3%	11.1%	12.2%	9.9%	22.0%	5.8%	14.0%
Growth in operating profit before interest and tax (5)	6.0%	31.6%	19.3%	20.9%	16.9%	22.5%	0.4%	15.0%

### NOTES:

1. Based on average issued capital
2. Adjusted for bonus issues and based on average issued capital
3. Attributable to the members of the parent entity
4. The 1996 figure does not include a special dividend of \$0.10 per share that satisfied the bonus share issue
5. The 1998 figure excludes the abnormal item

## **CORPORATE GOVERNANCE CODE OF ETHICS**

The Directors of Rural Press Limited recognise the need to uphold the highest standards of ethical behaviour and accountability.

Rural Press Limited has published a Code of Ethics, which details the Company's responsibilities to shareholders, customers, suppliers, employees and the wider communities in which the Company operates. A copy of the code is available on request.

The adequacy of this code is monitored by the Board on an ongoing basis, to ensure that the Company's practices remain relevant to current developments in corporate governance.

### **Key Objectives**

The prime objectives of the Company's corporate governance activities are to ensure that the Board fulfils its core responsibility to shareholders for setting the Company's direction and strategy, monitoring its performance, and enhancing the interests of shareholders; and the Company's reporting procedures and internal controls in areas such as risk management and environment protection are adequate and effective.

The structure and composition of the Board is fundamental to the achievement of the first objective. The names of the Directors are listed in the Directors' Report. The role of Management is to propose strategies and to implement agreed plans. It is therefore important that the Board which has the final responsibility for the Company's strategies and performance, should be composed of Directors able to consider issues with independence and objectivity.

Accordingly, all except the Managing Director are non-executive, including the Chairman. All Directors have established business experience and/or professional credentials in order to provide a wide range of skills, knowledge and experience.

All Directors participate in considering new appointments to and resignations from the Board. Subject to the requirements of any relevant law the retirement age for Directors is 72 years.

The effectiveness, dedication and participation of each non-executive Director is monitored by the Chairman who also reviews fees payable to non-executive Directors. Similarly, the performance of the Chairman is monitored by the non-executive Directors on an annual basis when his director's fees are reviewed.

The Audit Committee is empowered under its Charter to seek independent professional advice at the

Company's expense if in its opinion such advice is necessary.

Directors who are not members of the Audit Committee may also seek independent professional advice at the Company's expense providing they obtain the prior approval of the Chairman or the Audit Committee, whichever is the most appropriate in the circumstances.

The Board monitors the Company's performance by monthly analysis of financial statements and an evaluation of progress against budgets and key financial benchmarks. The Board receives regular updates on exposure to financial risks and any emerging threats to operations, and monitors action taken by management. Strategic plans are reviewed annually.

In order to gain a first hand appreciation of the operating environments of the Company's businesses, the Board also holds some of its meetings in various centres where activities are located.

The performance of the Managing Director is measured against specific objectives and performance targets and the Managing Director conducts performance appraisals with all senior executives. The salary packages of the Managing Director and all senior executives are approved by the Board.

### **Audit Committee**

The Company's control mechanism is overseen by the Board's Audit Committee which comprises three non-executive Directors, whose names are listed in the Directors' Report. Meetings of the Audit Committee are also attended by invitation. The Managing Director, General Manager Finance, Group Internal Auditor and senior partner from the external audit firm usually attend meetings.

The Committee's role is to provide a direct link between the Board and the internal and external audit functions of the Company. Under its charter, the Committee reviews that the systems of internal control safeguard the Company's assets and minimise significant risks and exposures. It also reviews compliance with statutory financial requirements; reviews that internal and external audit functions are effective and appropriately resourced; and reviews that financial information provided to shareholders is true and fair, to the best of their knowledge.

### **Disclosure.**

The Company fulfils its statutory obligations of full disclosure.





